

Name

2.3.8 General Journal

Example of a General Journal

Day	Details	Fol	Debit	Credit	Debtors' control		Creditors' control	
					Debit	Credit	Debit	Credit
(1)	(2)							
	(3)							
	(4)							
					(5)	(6)	(7)	(8)

Explanation of a General Journal

- 1 The day the transactions occurred.
- 2 The account that will be debited in the General Ledger and the subsidiary ledger.
- 3 The account that will be credited in the General Ledger and the subsidiary ledger.
- 4 A description of the transaction and the voucher.
- 5 The total of the Debtors' control account that will be debited in the General Ledger. Journal debits/Sundry accounts will be written in the details column.
- 6 The total of the Debtors' control account that will be credited in the General Ledger. Journal credits/Sundry accounts will be written in the details column.
- 7 The total of the Creditors' control account that will be debited in the General Ledger. Journal debits/Sundry accounts will be written in the details column.
- 8 The total of the Creditors' control account that will be credited in the General Ledger. Journal credits/Sundry accounts will be written in the details column.

Summarised General Journal entries

Transaction	Account debited	Account credited
Cancellation of discount on dishonoured cheque	Debtor's name and Debtors' control	Discount allowed
Interest charged on overdue debtors account	Debtor's name and Debtors' control	Interest on overdue debtors
Interest paid on overdue creditors account	Interest on overdue creditors	Creditor's name and Creditors' control
Written a debtors' account off as irrecoverable	Bad debts	Debtor's name and Debtors' control
Donation of stock at cost price	Donations	Trading stock
Drawings of trading stock at cost price	Drawings	Trading stock
Drawings of consumables (example: stationery) at cost price.	Drawings	Stationery
Capitalisation of interest on loan at MB Bank	Interest on loan	Loan: MB Bank
Capitalisation of interest on fixed deposit at XY Bank	Fixed deposit: XY Bank	Interest on fixed deposit

Correction of errors

It may happen that source documents are written into the journals incorrectly or posting errors may be made to the General Ledger, Debtors' ledger and Creditors' ledger. It may happen that the errors are not immediately traced because they have been posted to the correct side of the account. These errors are only traced when the books are checked.

In accounting it is not correct simply to draw a line through the recording. Another recording must be done in order to correct the error. Most errors are corrected in the General Journal.

If an error has been made in a subsidiary journal, the following should happen:

- Transaction is omitted = do a recording in the relevant journal.
- If the amount is too small = put the difference between the amounts in the subsidiary journal.
- If the amount is too big = put the difference between the amounts in the subsidiary journal.

Posting errors

- The wrong amount to the correct account = do a single journal recording.
- The correct amount to the wrong side of the account = do a single journal recording.
- If posting to the wrong account = take the amount out of the account and place it in the correct account. This is done in the General Journal.

It is impossible to explain all the errors that may occur. It is important, however, to see where the error has occurred, and do the corrections accordingly. To help you, it would be wise to draw a T-account. Write the error in, and then do the correction.

Activity 12 (Petty Cash account – imprest system)

Required

You are the petty cash cashier of Peter Suppliers. You are expected to compile a petty cash account in the General Ledger. Do all the entries directly into the ledger account. There has to be R700 at the beginning of each month in the petty cash kitty.

Transactions: May 2011

- 1 There is R80 left in the petty cash kitty. The head cashier draws a cheque to restore the petty cash balance of R700.
- 14 There is not enough money left in the petty cash kitty. Request a further R300 from the head cashier to add to petty cash.
- 31 The total payments from petty cash for the month are R890. Draw a cheque to restore the petty cash balance.

Answer sheet

General ledger of Peter Suppliers

Dr.	Petty cash				B8	Cr.